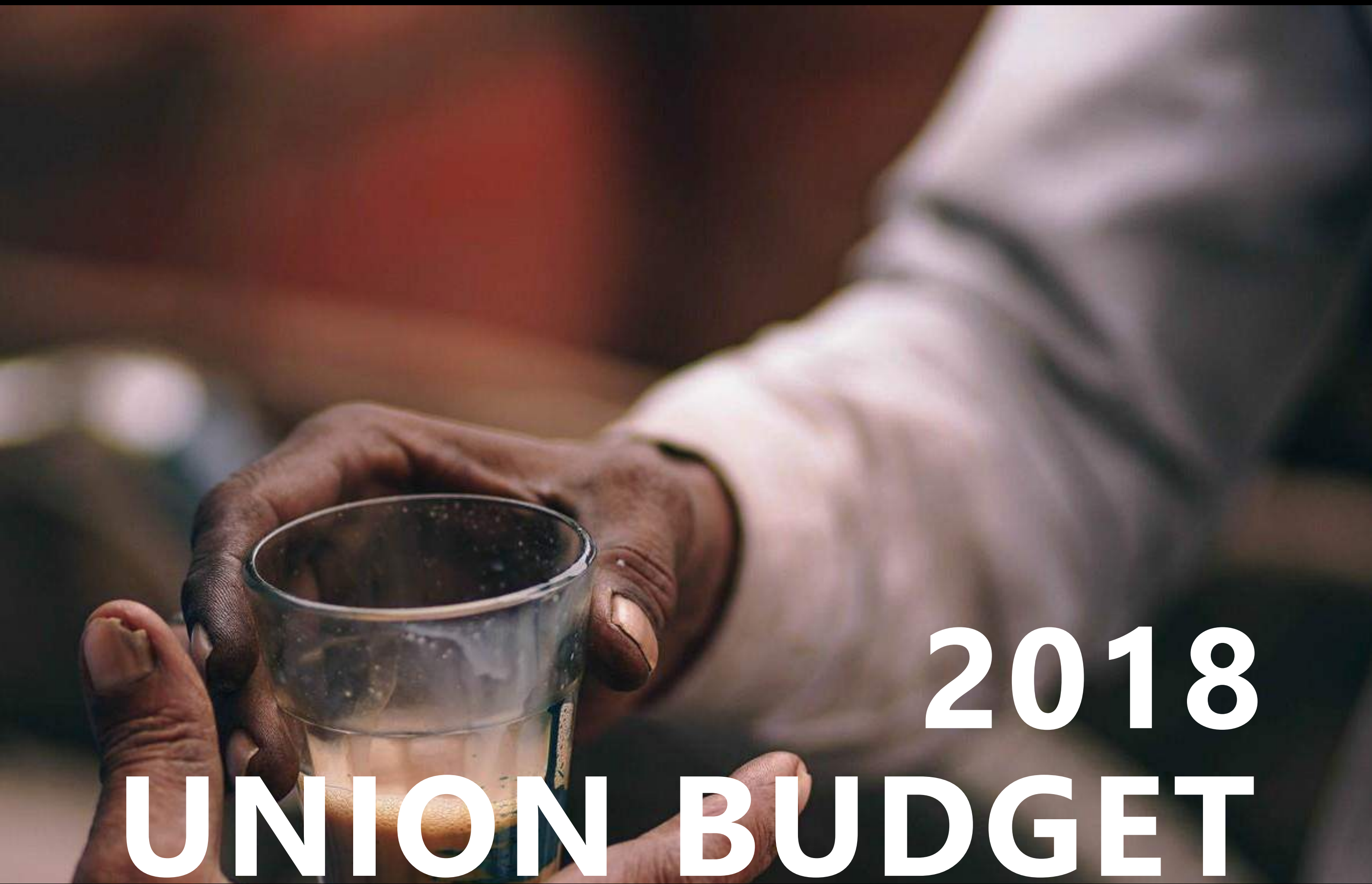
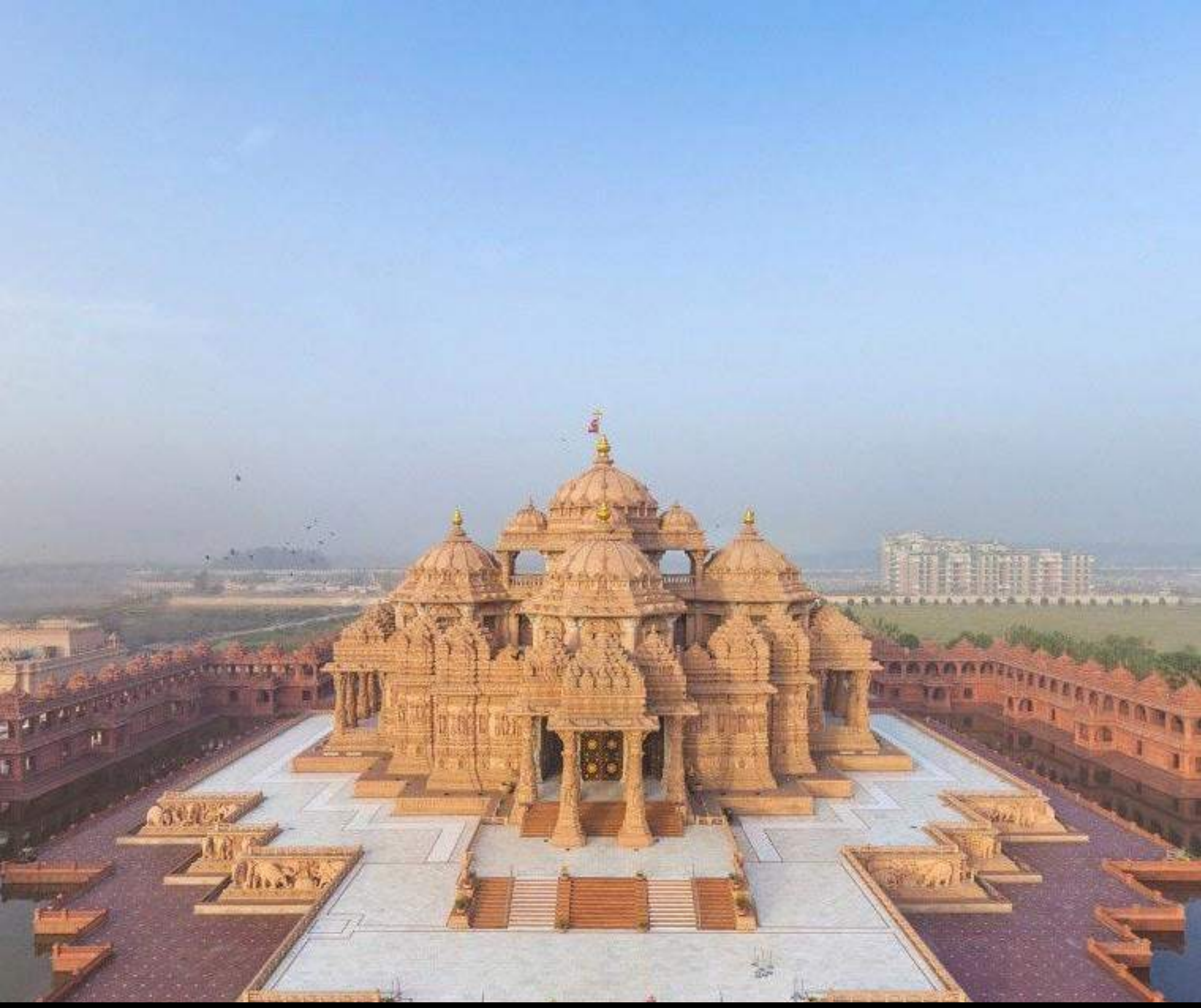
Taxmantra™ .com

Experience Excellence



2018 UNION BUDGET

DETAILED OVERVIEW AND COMPREHENSIVE ANALYSIS



'INDIA' IS A RARE MOMENT IN HISTORY.

THE NEXT BILLION CONNECTED PEOPLE UNDER 35 YEARS OF AGE ARE POISED TO IMPACT THE WORLD.

INDEX

1. Foreword
2. Overview of the budget
3. Crypto-currency reference
4. Impact on MSME and Startups
5. Impact on Make In India and Manufacturing sector
6. Women take centerstage
7. Impact on salaried individuals
8. Impact on senior citizens
9. Other important highlights and amendments
10. Abbreviations used

FOREWORD

INDIA is a rare moment in history

More than 50% of the population is below the age of 25 and over 65% below 35. This is a phenomenal advantage that gives India a unique place in the world from an economic standpoint and otherwise.

Startups, disruptive technology and new age businesses are pushing India to be a global economic superpower and were expecting more focussed budget.

"The national budget must be balanced. The public debt must be reduced; the arrogance of the authorities must be moderated and controlled. Payments to foreign governments must be reduced, if the nation doesn't want to go bankrupt. People must again learn to work, instead of living on public assistance." Cicero (106 BC - 43 BC), 55 BC

Alok Patnia
CEO and Managing Partner
Taxmantra Global

FOREWORD

Finance minister Arun Jaitley has presented a budget that not only provides a boost for the rural economy but also lends a helping hand to the digital infrastructure in the country.

By promising to leverage technology to boost citizen delivery mechanisms, the FM has been able to send the message that the time has come for India to take advantage of the tech ecosystem in the country for the greater public good.

Shradha Sharma
Founder and CEO at
YourStory.com

YOURSTORY

INDIA BUDGET 2018

LEADERS VIEW

"Govt should look to bring better performance management system for government employees across all layers, so that one the biggest expense to the exchequer i.e. salary generates better ROI, and also so that the projects that are funded gets done better. Today most of the effectiveness is lost in transit."

- Abhishek Rungta

Founder and CEO, Indus Net Technologies A

INDIA BUDGET 2018 - OVERALL IMPACT

Overview

The focus of Budget 2018 has been on the agri-sector with focus on low-cost farming. The Govt. has committed to set MSP at 1.5 times the production cost for Kharif crops along with liberalisation of exports.
Apart from this, food processing sector and dairy sector has received a massive boost with higher allocation and issue of Kisan credit card respectively. Kisan Credit Card facility has also been extended to fisheries and animal husbandry sectors. There are many other benefits which were being announced about the agricultural sector.

“The budget is an extension of govt's promise of doubling farmers’ income. Allocation of fund to ancillary segments like market access shows the intent and detail that has gone into the budgeting process.
Whether the intent translates into execution is to be seen and also to add that we were expecting some concrete steps and focus promoting start-ups in agriculture space.

INDIA BUDGET 2018 - OVERALL IMPACT

Key Highlights

- 10 crore families to get INR 5 lakh health coverage for hospitalisation every year. Aim is to move towards universal health coverage.

- Allocation of INR 1 lakh crore has been proposed for revitalising and upgrading education sector.

- Aim to move from black board to digital board with push for digital technology and e-education.

- Every block with over 20,000 tribals and over 50 per cent STs will have a special Eklavya school by 2022.

- To boost healthcare and medical education, government planning to set up at least one medical college for every three parliamentary constituencies.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Fiscal Situation

FM announced Fiscal deficit is 3.5% of GDP at Rs 5.95 lakh crore in 2017-18. He has projected fiscal deficit to be 3.3% of GDP in the next fiscal.

The fiscal deficit was targeted to be at 3.2% during the last budget, but the actual deficit for the current year stands at 3.5%. The reasons as stated by the Finance Minister can be the shortage of revenue collected by GST (11 months). Some analysts believes that the relaxation of the target for the year 2018 as well as 2019, would indeed prove to be beneficial for the public as the government can now use funds to bring investment and create job opportunities, which needed more attention. Even if the government slips
on meeting the target slightly and instead creates such opportunities, it would be more helpful to the public.

A contradictory view is also present. Many believe that if the government keeps on failing on meeting such targets, it would create a negative impact on the
minds of the foreign investors as fiscal consolidation improves the overall economic value of the country.

All in all, one can say, if the government fulfils the targets they state and at the same time spend sufficient expenses on developmental project, it would create a strong impact and persuade investors to invest without second guessing.

Financial Outlook

1.GST collections projection pegged at Rs. 7.43 lakh crore in full year 2018-19 as against Rs. 4.44 lakh crore in nine months of current fiscal.

2.Rs 21.57 lakh crores transferred as net GST to states as against projection of Rs. 21.47 lakh crores.

3.During RE 2017-18, there has been a slight bump in the fiscal deficit figure from the budgeted amount of Rs. 54631 crores (3.2 per cent of GDP) in BE 2017-18 to Rs. 594849 crores (3.5 per cent of GDP) in RE 2017-18. The increase in the fiscal deficit over and above the figures that have been budgeted in BE 2017-18 is mainly because of the spill over impact of the new indirect tax regime.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

CRYPTO-CURRENCY REFERENCE

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Crypto-Currencies Reference

The talk of the town for past few months had been Bitcoins and Crypto-Currencies. Government felt the need of discussing this and announced that they do not consider crypto-currencies legal tender or coin and will take all measures to eliminate use of these crypto-assets in financing illegitimate activities or as part of the payment system. However, the FM also added saying that, "The Government will explore use of blockchain technology proactively for ushering in digital economy".

At first sight it might feel that the Govt. shall ban crypto-currencies as a mode of payment, however, if read by the words, it can be understood that the Government although does not consider crypto- currencies as legal tender, but it never said that the transaction of the same is illegal in any way. The Govt. will put such transactions under scanner.

Also, it is expected that a new regulation might be brought in this front with more transparency.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

IMPACT ON MSME'S AND STARTUPS

Impact on MSME's and Startups

Corporate Income Tax - Corporate Tax of 25% has been extended to companies with turnover up to Rs 250 crore in financial year 2016-17, meeting a key demand of the corporate world that has been seeking lower tax payouts to enable greater investment and jobs creation. This will benefit 99 percent of all companies that file taxes, and mini, micro, small and medium enterprises will gain the most.

Start-up India Initiative

The provisions under section 80-IAC provides deduction to eligible start-up with respect to profits and gains derived from eligible business upto 100% for three consecutive assessment years out of five years at the option of assessee in accordance with and subject to provisions of said section. A comparative study of the criteria to be fulfilled under present scenario and the changes proposed in Budget-2018 is presented below:

Present Scenario	Proposed changes in the budget 2018
(i)In order to avail the benefits of section 80-IAC, the start-up should have been incorporated on or after 1st April 2016 and before 1st April 2019.	The benefits have been extended to start-ups incorporated even after 1st April 2019 and before 1st April 2021.
(ii)The turnover of the business should not have exceeded Rs 25 crore rupees in any of the previous years from 1st April, 2016 to 31st March, 2021.	The requirement of turnover of Rs 25 crore rupees has been applied to seven previous years commencing from the date of incorporation.
(iii) The word eligible business includes innovation, development, deployment or commercialization of new products, processes or services driven by technology or intellectual property.	The definition of eligible business has been expanded to the business engaged in innovation, development or improvement of products or processes or services, or a scalable business model with high potential of employment generation or wealth creation.

As the amendment will come into effect from 1st April 2018, it will surely impact the major start-ups who are involved in business of innovation and development of products and shall benefit the start-ups commencing their businesses even after 1st April 2019.

Incentive for Employment Generation

At present under section 80-JJAA of the Act, a deduction of 30% is allowed in addition to normal deduction of 100% in respect of emoluments/additional employee cost to eligible new employees who have been employed for a minimum period of 240 days during the year for three assessment years subject to certain conditions as laid down in the provisions of section 80-JJAA.

However, there was a relaxation in case of apparel industries for minimum period of employment to 150 days. The relaxation of 150 days has been proposed to extend to footwear and leather industries.

Further it is also proposed to extend the relaxation for minimum employment days for a new employee only in 1st year of employment by allowing 30% deduction on emoluments paid even if he is employed for less than the minimum period. But the new employee should continue to remain employed in subsequent years for the minimum period. This will be effective from 1st April 2019 and shall be applicable from AY 2019-20 and subsequent years.

Digitization

The Govt. has announced number of steps to fuel the digital economy. The Finance Minister has proposed to start a portal (Non-Tax Receipt Portal) to provide one stop services for depositing fees, fines and other non- tax dues into Government account. Also, to harness the benefit of emerging new technologies, particularly the 'Fifth Generation' (5G) technologies and its adoption, the Department of Telecom will support establishment of an indigenous 5G.

More digitization in the economy shall bring in more transparency and minimise the impact of red tapism and bureaucracy. This shall encourage e-commerce, fintech companies and other tech companies to come up with new and innovative digital technology thereby ushering India to a paperless economy. Also, with digitization, we can expect to see reasonable impacts on the other sectors such as education, ease of doing business, infrastructure development, etc.

Policy Reforms on VC and Angel Investors

No direct relief over here is a disappointment. However, government plans to set up new measures to strengthen the environment for the growth of venture capital funds and angel investors acting as the early investors for most of the start-ups across India. "Venture capital funds and angel investors need an innovative, special development and regulatory regime for their growth. We have taken a number of policy decisions including launching of the start-up in India program building a robust investment and taxation regime" as said by Finance Minister in his speech.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

The new reforms and measures shall boost the growth of start-ups and shall also provide benefits to all genuine investors. This will also emphasise the promotion of startup ecosystem in the country.

Government will also take additional measures to strengthen the role of Alternate Investment Funds (**AIF**) such as private equities, venture capital funds.

Angel Tax Stays

Startup Eco-system was hoping that Angel Tax would be replead, However, hopes came crashing down with the 2018 Budget announcement, he FM only made a brief and vague reference to taxation relaxation for Startups.

This has left Startups more confused and does not support the domestic Angel Investing scenario at all.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Education Sector

Finance Minister mentioned, Technology is the biggest driver in improving quality of education and allocated Rs. 1 lakh crore to revitalization and up-gradation of education sector. The Government has also announced its intention to move from black board to digital board schools by 2022.

This move shall not only impact the quality and the tools of imparting education in India but also help to boost the start-ups working on EdTech.

"It's a very positive move and should be appreciated. However, the government should look into deployment of funds in a correct manner and make sure that it reaches the right place to be really effective." said Priyadeep Sinha, Founder - Add-On Gyan Educational Services Pvt. Ltd.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Infrastructure Sector

FM Jaitley announced that India needs an investment of Rs 50 lakh crore in the infrastructure sector and the government is committed to spending it for the benefit of the country. Measures shall be undertaken to develop two defence industrial production corridors in the nation.

A capital expenditure of Rs. 148,528 crores has been earmarked for railways. Smart Cities has always found prominence in Government Budget Allocation. This year was no difference. Out of 100 smart cities 99 cities have been selected, with an outlay of Rs 2.04 lakh crore. Rs 1800 crore alone has been allocated to promote planned urbanisation and industrialisation.

Tourism which is one of the industries which generates most employment found its mention in the Budget. 10 prominent tourist sites will be made iconic tourist destinations, with an amalgamation of private funding, marketing and branding. Government has announced construction of new tunnel in Sera Pass to promote tourism in the North East.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

A push in Infrastructure is a necessary step towards Economic Development in the country. Allocation in Infrastructure shall certainly give an added impetus to the road and rail network in large and small also contribute to the nation building.

There was a dire need of capital expenditure in infrastructure sector and though the Govt. has allocated a large amount but diversifying the capital expenditure in other infra sectors would have been hailed. The Corridors shall be built along 5 stretches wherein construction of residential areas, public utilities, production units, schools, and hospitals shall take place. Urbanisation will get a heads up due to this.

The increase in capex especially in railway, shall generate more employment in the small manufacturing companies (MSMEs) working on building the railway infrastructure.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

IMPACT ON MAKE IN INDIA AND MANUFACTURING SECTOR

Impact on Make in India Initiative and Manufacturing Sector

Customs Duty on mobile phones will be increased to 20 per cent from the existing 15 per cent and for certain TV parts it will be increased to 15 per cent.
Most of these parts were taxed under the 7.5 and 10 per cent slab. It has increased the budgetary allocation to textile industries by 19 per cent to Rs. 7148 crores.

In comparison to the previous year proposals, FM had taken a calibrated departure from the underlying policy in the last two decades wherein the trend largely was to reduce the customs duty to boost the domestic manufacturing sector.

Some Major Changes in Rates of Basic Customs Duty (BCD) on Various Goods:

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Items	Existing Rate	Proposed Rate
Raw Cashew	5%	2.5%
Crude Edible Vegetable Oils	12.5%	30%
Refined Edible Vegetable Oils	20%	35%
Fruit Juices	30%	50%
Truck and bus radial tyres	10%	15%
LCD/LED/OLED panels and other parts of LCD/LED/OLED TVs	10%	15%
Microphone Rubber Case, Sensor Rubber Case	10%	15%
Kites	10%	20%

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Items	Existing Rate	Proposed Rate
Silk Fabrics	10%	20%
Solar tempered glass	5%	NIL
Cut and polished coloured gemstones, diamonds	2.5%	5%
Cellular Mobile Phones	15%	20%
Wrist wearable devices (Smart Watches)	10%	20%
Sunglasses	10%	20%
Medical Devices	7.5%	10%
Footwear	10%	20%
Artificial Jewellery	15%	20%

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Items	Existing Rate	Proposed Rate
Toys and Games	10%	20%
Specified parts/accessories of motor vehicles, motor cars, motor cycles	10%	15%

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

WOMEN TAKE CENTERSTAGE

Women take center stage

The mention of the word “women” in the budget speeches since independence is a wonderful case study on the same. The Modi government has implemented many schemes for the betterment of the status of women around the country and has promised to continue to do so. Women make up a significant part of the economy and can make a considerable contribution towards the growth of the Indian economy.

There has been an increase in paid maternity leave from 12 weeks to 26 weeks along with provision of creches. Further, various allocations have been made to schemes for women empowerment listed below:

The Finance Minister presenting the Budget 2018 has proposed to incentivize employment of more women in the formal sector and to enable higher take-home wages, thus reducing women employees' contribution to 8% for first three years of their employment against existing rate of 12% or 10% with no change in employers' contribution. The move will enhance the take home pay for such employees.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Project/ Scheme	Financial Outlay '18-19	Purpose
Mahila Shakti Kendra	Rs 267.30 crores	1.State Resource Centre for Women (SRCW) set up under the respective State Govt./UT Adm. in all States/UTs. 2.220 District Level Centre for Women (DLCW) set up in 220 districts. 3.500 blocks in 100 selected districts (5 block per district) to provide MSK convergent service for empowering women

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Project/ Scheme	**Financial Outlay '18-19**	**Purpose**
Working women hostel	Rs 60.00 crores	1.45 new working women hostels proposed to be sanctioned with 4500 capacity. 2.To promote availability of safe and convenient located accommodation for working women with day care facility for their children.
Gender Budgeting & Research, Publication and Monitoring	Rs. 8.28 crores	1.Mainstreaming gender concerns through gender budgeting initiatives in approximately 10 Central Ministries/ Departments. 2.Mainstreaming gender concerns through gender budgeting initiatives in approximately 10 State Governments.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Project/ Scheme	**Financial Outlay '18-19**	**Purpose**
Swadhar Greh	Rs 95.00 crores	1.18000 beneficiaries to be covered. 2.Providing an opportunity to live in society and self support to women in difficult circumstances by providing them primary need of shelter, food clothing emotional support and counselling social and rehabilitation through education, awareness and skill up gradation.
Ujjawala	Rs. 50.00 crores	1.6000 beneficiaries to be covered. 2.Providing an opportunity to live in society and self support to women who are forced into menace of trafficking by the methods of prevention of trafficked rescuing

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Project/ Scheme	**Financial Outlay '18-19**	**Purpose**
Beti Bachao Beti Padhao Campaign (BBBP)	Rs 280.00 crores	1.Improve the sex ratio at birth in gender critical districts by 2 points per year. 2.Increase the girl's enrolment in Secondary education. 3.Provide girl's toilet in every school in the selected districts.
Women helpline	Rs. 28.80 crores	1.Consolidation of WHL in 36 States/UTs. 2.Out of 33 sanctioned women helpline, 27 women helpline have become operational.
One stop centre	Rs. 105.10 crores	1.Operationalization of 186 sanctioned OSC. 2.Expansion of OSC in 50 districts in addition to 186 sanctioned OSCs.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

IMPACT ON INTERNATIONAL TRANSACTIONS

Impact on international transactions

“Business Connection” to include “Significant Economic Presence” - Ordinarily, as per the allocation of taxing rules under Article 7 of DTAAs, business profit of an enterprise is taxable in the country in which the taxpayer is a resident. If an enterprise carries on its business in another country through a 'Permanent Establishment' situated there-in, such other country may also tax the business profits attributable to the 'Permanent Establishment'.

For this purpose, ‘Permanent Establishment’ means a ‘fixed place of business’ through which the business of an enterprise is wholly or partly carried out. However, with the advancement in information and communication technology in the last few decades, new business models operating remotely through digital medium have emerged. Under these new business models, the non-resident enterprises interact with customers in another country without having any physical presence in that country resulting in avoidance of taxation in the source country.

Therefore, the existing nexus rule based on physical presence do not hold good anymore for taxation of business profits in source country. As a result, the rights of the source country to tax business profits that are derived from its economy is unfairly and unreasonably eroded.

The scope of existing provisions of clause (i) of sub-section (1) of section 9 is restrictive as it essentially provides for physical presence-based nexus rule for taxation of business income of the non-resident in India. Explanation 2 to the said section which defines 'business connection' is also narrow in its scope since it limits the taxability of certain activities or transactions of non-resident to those carried out through a dependent agent.

Therefore, emerging business models such as digitized businesses, which do not require physical presence of itself or any agent in India, is not covered within the scope of clause (i) of sub-section (1) of section 9 of the Act. In view of the above, Budget 2018 has proposed to amend clause (i) of sub-section (1) of section 9 of the Act to provide that 'significant economic presence' in India shall also constitute 'business connection'.

Further, “significant economic presence” for this purpose, shall mean- (i) any transaction in respect of any goods, services or property carried out by a non- resident in India including provision of download of data or software in India if the aggregate of payments arising from such transaction or transactions during the previous year exceeds the amount as may be prescribed; or (ii) systematic and continuous soliciting of its business activities or engaging in interaction with such number of users as may be prescribed, in India through digital means.

The proposed amendment in the domestic law will enable India to negotiate for inclusion of the new nexus rule in the form of 'significant economic presence' in the Double Taxation Avoidance Agreements. It may be clarified that the aforesaid conditions stated above are mutually exclusive. The threshold of “revenue” and the “users” in India will be decided after consultation with the stakeholders.

Further, it is also clarified that unless corresponding modifications to PE rules are made in the DTAAs, the cross-border business profits will continue to be taxed as per the existing treaty rules.

Also, if the DTAA’s are amended, the same shall apply to residents for both the Countries. Hence, even the Indian Companies operating in other countries remotely and fulfilling the criteria of “Significant Economic Presence” may end up paying taxes in the Country from which the revenue is being generated.
This amendment will take effect from FY 2018-19 and subsequent financial years.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

IMPACT ON SALARIED INDIVIDUALS

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Impact on Salaried Individuals

Education Cess

Education Cess on income-tax and secondary and higher education cess on income tax shall be discontinued. However, a new cess, by the name of “Health and Education Cess” shall be levied at the rate of 4% of income tax including surcharge wherever applicable, in the cases of persons not resident in India including company other than a domestic company.

Standard Deduction of Rs 40,000

Salaried individuals will get a Standard deduction up to Rs. 40,000 or the amount of salary received, whichever is less. Consequently, the present exemption in respect of Transport Allowance (except in case of differently able persons) and
reimbursement of medical expenses is proposed to be withdrawn.

However, this is considered as a very nominal benefit for the salaried individuals as earlier they were entitled to benefit of Rs 34,200/- (Medical Reimbursements) As per the Old Provisions, as detailed in the following example in which the income is upto Rs. 5 lacs.

Income	**Tax Liability**
Upto Rs 2.5 Lakhs	Nil
Rs 2.5 Lakhs - Rs 5 Lakhs	Rs 12500.00
Total Income Tax	Rs 12500.00
Add: Ed. Cess & SHEC @ 3%	Rs 375.00
Total Tax Liability	Rs 12875.00

As per the New Provisions deduct Rs 5800 from taxable income

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Income	Tax Liability
Upto Rs 2.5 Lakhs	Nil
Rs 2.5 Lakhs - Rs 4.942 Lakhs	Rs 12210.00
Total Income Tax	Rs 12210.00
Add: Health and Education Cess @ 4%	Rs 488.00
Total Tax Liability	Rs 12698.00

Thus, total savings as per the new provisions is very negligible

Long Term Capital Gains on Equity Transactions

Currently, long term capital gains arising from transfer of listed equity shares, units of equity-oriented fund and unit of a business trust are exempt from tax. With the reforms introduced by the Government and incentives given so far, the equity market has become buoyant. The return on investment in equity is already quite attractive even without tax exemption. There is therefore a strong case for bringing long term capital gains from listed equities in the tax net.

However, recognising the fact that vibrant equity market is essential for economic growth, there has been only a modest change in the present regime wherein long-term capital gains exceeding Rs 1 lakh will be taxable at the rate of 10% without allowing the benefit of any indexation.

However, all gains up to 31st January 2018 will be grandfathered.

For example, if an equity share is purchased six months before 31st January 2018 at Rs 100 and the highest price quoted on 31st January 2018 in respect of this share is Rs 120, there will be no tax on the gain of Rs 20 if this share is sold after one year from the date of purchase. However, any gain more than Rs 20 earned after 31st January 2018 will be taxed at 10% if this share is sold after 31st July 2018. The gains from equity share held up to one year will remain short term capital gain and will continue to be taxed at the rate of 15%.

Surcharge

The basic tax slab for individuals remains unchanged. However, the amount of income tax shall be increased by surcharge in the case of every individual or Hindu undivided family or every association of persons or body of individuals, whether incorporated or not, or every artificial juridical person:

1.at the rate of 10% of such tax, where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds Rs 50 Lakhs but does not exceed Rs 1 Crore.

2.at the rate of 15% of such tax, where the income or the aggregate of income paid or likely to be paid and subject to deduction exceeds Rs 1 Crore.

3.surcharge will also be levied at the appropriate rates in cases where these persons are liable to tax under section 115JC of the Act.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

IMPACT ON SENIOR CITIZENS

Impact on Senior Citizens

Deduction in respect of interest income to senior citizen

At present, a deduction upto Rs 10,000 is allowed under section 80TTA to an assessee in respect of interest income from savings account. It is proposed to insert a new section 80TTB to allow a deduction upto Rs 50,000 in respect of interest income from deposits held by senior citizens.

However, no deduction under section 80TTA shall be allowed in these cases.

This amendment will take effect from 1st April 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years. It is also proposed to amend section 194A to raise the threshold for deduction of tax at source on interest income for senior citizens from Rs 10,000 to Rs 50,000. This amendment will take effect, from 1st April 2018.

Deductions available to senior citizens in respect of health insurance premium and medical treatment: Section 80D, inter-alia, provides that a deduction upto Rs 30,000 shall be allowed to an assessee, being an individual or a Hindu undivided family, in respect of payments towards annual premium on health insurance policy, or preventive health check-up, of a senior citizen, or medical expenditure in respect of very senior citizen. It is proposed to amend section 80D so as to raise this monetary limit of deduction from Rs 30,000 to Rs 50,000.

In case of single premium health insurance policies having cover of more than one year, it is proposed that the deduction shall be allowed on proportionate basis for the number of years for which health insurance cover is provided, subject to the specified monetary limit. These amendments will take effect, from 1st April 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

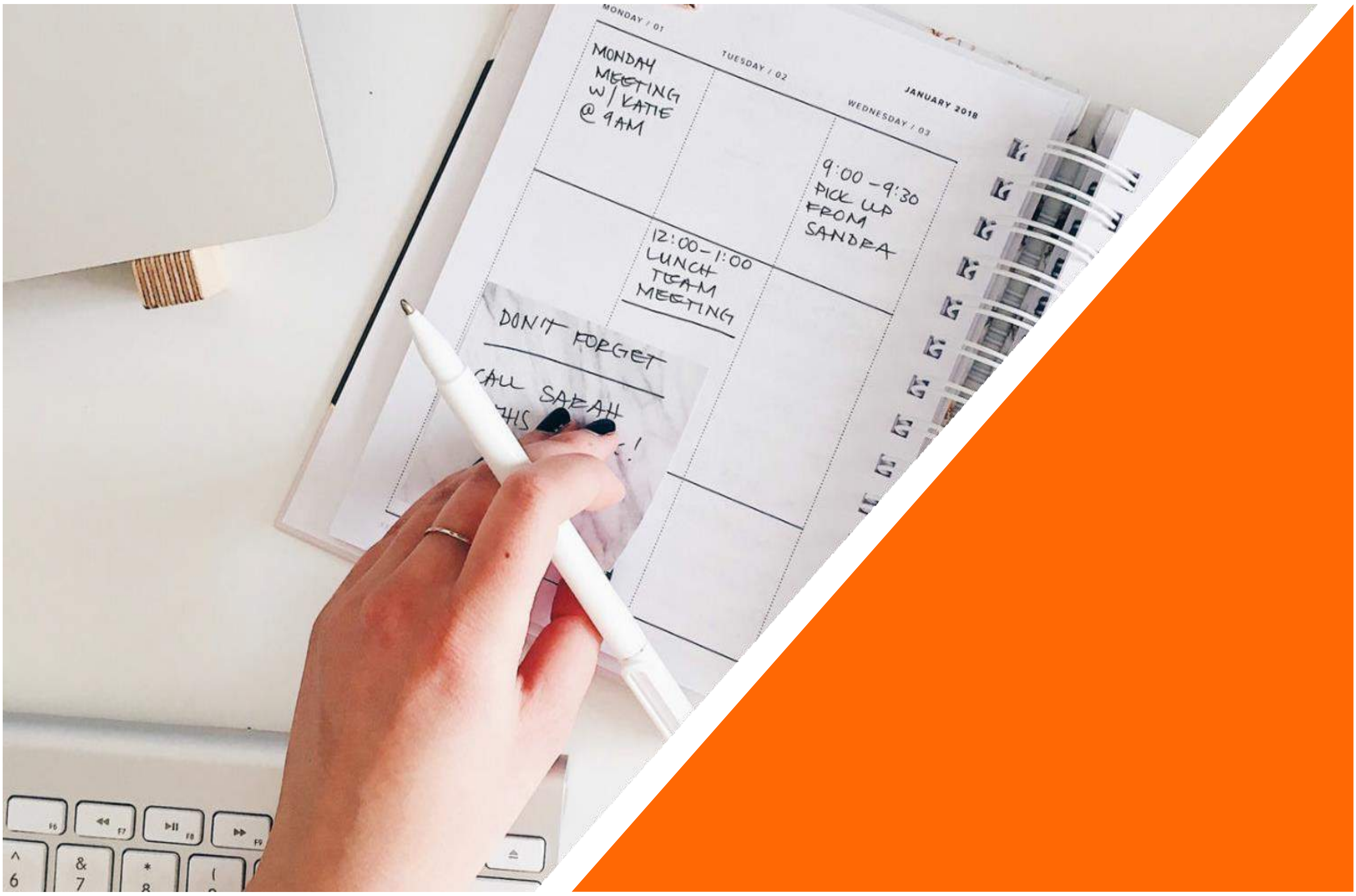
Enhanced deduction to senior citizens for medical treatment of specified diseases

Section 80DDB of the Act, inter-alia, provide that a deduction is available to an individual and Hindu undivided family with regard to amount paid for medical treatment of specified diseases in respect of very senior citizen upto Rs 80,000/- and in case of senior citizens upto Rs 60,000/- subject to specified conditions. It is proposed to amend the provisions of section 80DDB of the Act so as to raise this monetary limit of deduction to Rs 1,00,000/- for both senior citizens and very senior citizens.

This amendment will take effect, from 1st April 2019 and will, accordingly, apply in relation to the assessment year 2019-20 and subsequent assessment years.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS



IMPORTANT HIGHLIGHTS AND AMENDMENTS

Other Important Highlights and Amendments

Section 276CC relating to prosecution for failure to furnish return All companies irrespective of income or loss are required to file income tax return and in case, it's not filed such companies will be liable for prosecution irrespective of the fact whether the tax liability is Rs 3000 or not.

This amendment has been done to prevent abuse by shell companies or by companies holding Benami properties, this has been amended. So now the directors of companies with losses or tax liability less than Rs. 3000 may also be prosecuted for non-filing of income tax return.

Application of Dividend Distribution Tax to Deemed Dividend

At present, dividend distributed by a domestic company is chargeable to dividend distribution tax payable by such company. However, deemed dividend is taxed in the hands of the recipient at the applicable tax rate. The taxability of deemed dividend in the hands of recipient has posed serious problem of the collection of the tax liability and has also been the subject matter of extensive litigation. For Instance, loan given by a Company to its director may get covered under the provision of deemed dividend.

With a view to bringing clarity and certainty in the taxation of deemed dividends, it is proposed to bring deemed dividends also under the scope of dividend distribution tax Further, such deemed dividend is proposed to be taxed at the rate of 30 per cent. (without grossing up) to prevent camouflaging dividend in various ways such as loans and advances.

Now the Company shall be liable to pay Dividend Distribution Tax (DDT) on any deemed event of dividend distribution and non-compliance shall make the Company and its officers as Assessee in Default, which may again attract interest, penalty and even prosecution.

Dividend distribution tax on dividend payouts to unit holders in an equity oriented fund

The existing provisions provide any amount of income distributed by the specified company or a Mutual Fund to its unit holders shall be chargeable to tax and such specified company or Mutual Fund shall be liable to pay additional income-tax on such distributed income at the rate specified in the section. However, in respect of any income distributed to a unit holder of equity-oriented funds is not chargeable to tax under the said section.

With a view to providing a level playing field between growth-oriented funds and dividend paying funds, it is proposed to that where any income is distributed by a Mutual Fund being, an equity-oriented fund, the mutual fund shall be liable to pay additional income tax at the rate of ten per cent on income so distributed.

Tax Incentives for Farm Producer companies

Co-operative societies which aid its members engaged in primary agricultural activities are provided 100% deduction in respect of profits from such activities under section 80P.

Budget-2018 propose to extend the similar benefits to Farm Producer Companies (FPC) having a total turnover upto Rs 100 crore whose gross total income includes income from agricultural activities such as Marketing of agricultural produce by its members Purchase of agriculture seeds, implements, livestock etc. for supplying them to its members.

The proposed benefit to FPC shall be available for a period of 5 years from FY 2018-19. No doubt the said changes shall be beneficial for the start-ups involved in agricultural activities and will also support the agricultural sector of India.

Tax deduction at source and manner of payment in respect of certain exempt entities

At present, there are no restrictions on payments made in cash by charitable or religious trusts or institutions. There are also no checks on whether such trusts or institutions follow the provisions of
deduction of tax at source. This has led to lack of an audit trail for verification of application of income.

Now, any cash payments exceeding 10,000 made by charitable or religious trusts or institutions would be disallowed. Further, in order to improve TDS compliance by these entities, the Finance Minister has proposed to provide that in case of non-deduction of tax, 30 percent of the amount shall be disallowed and would be taxed.

Rationalisation of section 43CA, section 50C and section 56

At present, while taxing income from capital gains, business profits and other sources arising out of transactions in immovable property, the sale consideration or stamp duty value, whichever is higher is adopted. The difference is taxed as income both in the hands of the purchaser and the seller. To reduce the genuine hardships faced in realty deals, no adjustment to be made in case circle rate does not exceed 5% of sale consideration.

Reduction in Basic Excise Duty on Fuel

The Govt. in the Union Budget 2018 has decided to cut basic excise duty on petrol and diesel by Rs 2 and has also abolished additional excise duty on fuel by Rs 6. While the government has cut excise duty, petrol prices are likely to remain the same as a new road cess of Rs 8 per litre has been introduced.

Taxability of compensation in connection to business or employment

A large segment of compensation receipts in connection with business and employment is out of the purview of taxation leading to base erosion and revenue loss. Any compensation received in the nature of revenue or capital shall be treated as income ad would be taxable.

New scheme for scrutiny assessment

It is proposed to prescribe a new scheme for the purpose of making assessments. The Finance Minister also announced a proposal to roll out E-assessment across the country to almost eliminate person to person contact leading to greater efficiency and transparency in direct tax collection.

Rationalization of provision relating to conversion of stock-in-trade into Capital Asset

Income tax act provides that capital gains arising from a conversion of capital asset into stock-in-trade shall be chargeable to tax. However, in cases where the stock in trade is converted into, or treated as, capital asset, the existing law does not provide for its taxability.

To provide symmetrical treatment and discourage the practice of deferring the tax payment by converting the inventory into capital asset, it is proposed to provide that any profit or gains arising from conversion of inventory into capital asset or its treatment as capital asset shall be charged to tax as business income in the year of conversion on Fair Market Value on the date of conversion.

Amendments in relation to notified Income Computation and Disclosure Standards(ICDS)

1.ICDS being given statutory backing in view of decision of Delhi High Court decision.

2.Market to market loss computed as per ICDS to be allowed.

3.Gain or loss in foreign exchange as per ICDS to be allowed as per new section 43AA as per Income Tax Act.

4.Construction Contract Income to be computed on percentage.

5.Valuation of Inventory including Securities to be done as per ICDS.

6.Interest on compensation, enhanced compensation, claim or enhanced claim and subsidy, incentives to be taxed in the year of receipt only.

INDIA BUDGET 2018

TAXMANTRA ANALYSIS

Abbreviations Used:

1.MSP - Minimum Support Price
2. FM - The Finance Minister
3. GDP - Gross Domestic Product
4. GST - Goods & Services
5. Tax BE - Budgeted Estimate RE- Revised Estimate
6. MSME - Micro, Small and Medium Enterprises
7. TDS - Tax Deducted at Source
8. FPC - Farm Producing Companies
9.ICDS - Income Computation and Disclosure Standards
10. DDT - Dividend Distribution Tax
11. Govt. - Government of India
12. Act - The Income Tax Act, 1961
13. DTAA - Double Taxation Avoidance Agreement
14. AY - Assessment Year
15. FY - Financial Year
16. VC - Venture Capital, Venture Capitalist Firms
17. PE - Permanent Establishment

TAXMANTRA GLOBAL

INTRODUCTION/ ABOUT

Taxmantra is a global legal, taxation, compliance and due-diligence firm with presence in India, Singapore, US and Middle East.

Since inception in 1983, 40K+ customers have hired Taxmantra Global as a trusted partner to manage their compliance, due-diligence, fund raising, taxation and corporate law.

Several startups, technology companies and SMEs trust Taxmantra as their Cloud CFO.

- $100M funding assisted
- 300K+ compliances filed
- 3 decades of experience
- Trusted by startups, new age tech businesses and investors

TAXMANTRA SERVICES

BUSINESS STAGE: EARLY/ STARTING UP

- Entity Formation
- Local State Specific Compliances, Taxation & Registration
- Corporate Law (agreements)
- ESOPs Structuring
- Trademarks, Patents Filing & Copyrights
- **Cloud CFO**

BUSINESS STAGE: GROWTH STAGE

- Taxation
- Corporate Law (Litigation Assistance)
- Regulatory Compliances
- Due-Diligence/ Fund-Raise Assistance
- ESOPs Structuring
- **Cloud CFO**

BUSINESS STAGE: MATURE

- Taxation
- Corporate Law (Litigation Assistance)
- Regulatory Compliances
- Due-Diligence/ Fund-Raise Assistance
- IPO Readiness & Listing On SME Exchange
- **Cloud CFO**

TAXMANTRA ADVANTAGE DIALOGUE

TAD is a thought leadership platform established by Taxmantra to share global best practices and unlock more growth opportunities for Taxmantra customers globally.

We host highly focused workshops and conferences that share highly valuable content for business owners/ entrepreneurs.

TAD features global speakers on various subjects pertaining to taxation and law for startups, new age businesses and technology companies.

LEADERSHIP TEAM

ALOK PATNIA
CEO & Managing Partner
Taxmantra Global

Alok is the CEO and Managing Parter at Taxmantra Global Network Firms. He is a Fellow Member of the ICAI (FCA), an alumnus of St. Xavier's College, Calcutta, with post qualification exposure in KPMG and Ernst & Young.

He has authored more than 2K blogs on Taxmantra.com and also contributes to leading platforms like YourStory.com, Moneycontrol.com.

RAHUL AGARWALLA
VP OPERATIONS
Taxmantra Global

Rahul serves as VP Operations at TaxMantra Global. He is a Fellow Member of the ICAI (FCA), and holds a Diploma in Information Systems Audit from the Institute of Chartered Accountants of India, having 10 years of experience in handling income tax Search Seizure and Survey assessments, Appeals, Regular Assessments and other litigation and departmental proceedings relating to Income Tax Act, Service Tax, VAT and International Taxation. He is into Advisory, Litigation and Compliance relating to Direct Taxes, Indirect Taxes, Corporate Law and various Labour Laws in India.

LEADERSHIP TEAM

Kenneth Ho
VP Operations
TaxMantra Global
(Singapore)

Kenneth Ho currently serves as VP Operations (Singapore) as Taxmantra Global. Kenneth is a professional trained Accountant with more than 10 years of experience gained from his employment with 2 mid-tier international accounting firms and 2 global outsourcing firms. Not limiting his exposure to accounting compliance, his experience includes corporate secretarial compliance, personal & corporate tax compliance, Goods & Services Tax (GST) compliance & payroll compliance services too.

CA RK Patnia
Non Executive Chairman
Taxmantra Global

CA RK Patnia serves as non-executive chairman at Taxmantra Global. He is the past president of Income Tax Bar Association and also past chairman of The Institute of Chartered Accountants of India (ICAI).

He has vast experience in the field of tax and advisory and known for his technical expertise in the handling of income tax search and raid assessment especially, in active practice since the year 1983.

LEADERSHIP TEAM

PARITOSH SHARMA
VP, Growth & Strategy
Taxmantra Global

Paritosh serves as the Consulting VP, Growth & Strategy with Taxmantra Global.

Paritosh is a leader in brand,, marketing and business communication. He has helped SMEs globally engage powerfully with new media.

He is also the author of world's first business book on Patanjali.

Taxmantra.com
Experience Excellence

www.taxmantra.com

TAXMANTRA GLOBAL

INDIA. SINGAPORE. USA. MIDDLE EAST

Global Delivery Center
Module 632, 5th Floor,
SDF Building, Sector V,
Saltlake Electronic
Complex, Kolkata 700091

Singapore
5001 Beach Road, #08-
11 Golden Mile
Complex, Singapore
199588

Bengaluru
#21, 1st Floor, 6th Cross,
100 Ft Intermediate Ring
Road, Srinivagilu, Near
Sony World Signal,
Koramangala

+91 983603903
fb.com/taxmantra
@taxmantra